



## Overview of the CSSF Annual Report 2022: IFMs and UCIs

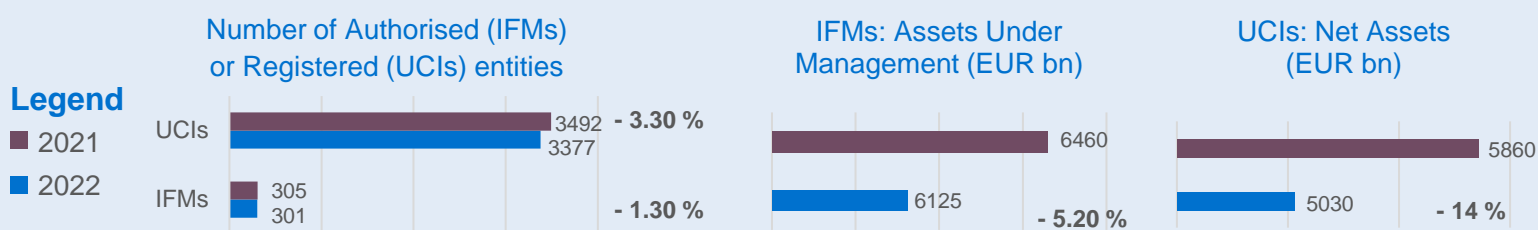
**This newsletter marks the third publications of a six-part series, offering an overview of the CSSF Annual Report for the year 2022. This edition of this series is dedicated to the key highlights for IFMs and UCIs.**

On the 25 August 2023, the CSSF published its annual report focusing on the overview of the CSSF activities and initiatives in 2022. This publication aims to provide valuable information to assist relevant entities in gaining an understanding of areas requiring attention based on the CSSF observations.

In the first publication, we focused on highlighting the outcomes of on-site inspections.

In this and future publications, we provide an overview of the key institutions under CSSF's supervision, offering insights into various aspects of CSSF's supervisory practices. Additionally, we highlight significant past and forthcoming priorities, along with key findings from off-site inspections. Secondly, our focus will shift to the noteworthy regulatory changes that unfolded in 2022, providing a glimpse into anticipated developments for the years ahead.

## Investment Fund Managers and Undertakings for Collective Investment



### Off-site Supervision

#### Off-site Supervision of UCIs

- As part of the evaluation of annual reports, management letters, and long form reports, the CSSF found it necessary to intervene with specific funds and/or their IFM;
- In the context of errors in NAV calculations, failure to observe the legal and regulatory limits of diversification, holding and borrowing has been a source of non-compliance with investment rules;
- 2022 was characterized by the impacts of the conflict in Ukraine. In this regard, the CSSF pinpointed several practices requiring enhancement, including, but not limited to, policies and procedures not adequately covering valuation practices in the event of a crisis.

#### Off-site Supervision of IFMs

**\*NEW\* - CSSF Circular 21/789:** on December 2021, the CSSF released CSSF Circular 21/789, which simultaneously introduced a Self-assessment Questionnaire (SAQ) along with a Separate Report (SR) containing specific procedures that the CSSF requires the *réviseurs d'entreprises agréés* to carry out concerning the SAQ. The CSSF emphasized the importance of adhering to the specified deadlines.

In May 2022, the CSSF launched a thematic survey on the compliance function, targeting IFMs and AIFMs. The findings are set to be made public in 2023.

#### On-site Supervision

- The "UCI on-site inspections" division conducted comprehensive evaluations of the business models and governance of IFMs;
- The "Prudential supervision and risk management" unit conducts thematic on-site inspections on (i) risk management, (ii) procedures related to CSSF Circular 02/77, and (iii) money market UCIs.

### Prospects for 2023 and 2024

#### Environmental, Social and Governance aspects

- Ensuring that the activities of IFMs and investment funds align with the various tiers of European Union legislation on sustainable finance will remain a significant focal point for the CSSF supervisory agenda in the year 2023;
- During 2023, the ESMA is set to initiate a Common Supervisory Action (CSA) focused on sustainability risks and disclosures. This initiative aims to assess the conformity of activities conducted by IFMs and investment funds with the provisions outlined in both SFDR Level 1 and Level 2 and to ascertain adherence to the guidelines detailed in the ESMA Supervisory Briefing titled "Sustainability Risks and Disclosures in the Area of Investment Management".

#### Revision of CSSF Circular 02/77

In 2022, the CSSF was actively engaged in the process of revising CSSF Circular 02/77, which pertains to safeguarding investors in cases of NAV calculation errors and rectifying the outcomes arising from deviations from the prescribed investment regulations for UCIs.

#### \*NEW\* - Circulars CSSF 21/788 and 21/790

The CSSF intensified its efforts in reforming the long-form report in 2023. This includes implementing separate reports by *réviseurs d'entreprises agréés* for SIFs and SICARs starting from financial years closing on June 30, 2023. They will also work on improving the eDesk platform's functionalities.

## Publication Timeline

This newsletter, the **third** in a series of 6 publications.



### On-site Inspections

Published 13/09/2023



### Credit Institutions

Published 20/09/2023



### IFMs and UCIs

Published 27/09/2023



### PFS

By 04/10/2023



### Payment, Electronic Money Institutions and VASPs

By 11/10/2023



### Challenges for the next years

By 18/10/2023

## Why Mazars for you?

### Joined-up Mazars engagement team



As a truly integrated partnership and firm, we operate seamlessly across borders. Our commitment to clients is absolute – we furnish you with a seasoned senior team well-versed in the intricacies of the field. You will benefit of senior leaders ‘on the ground’, poised to deliver not just insights but transformative, value-enhancing recommendations.



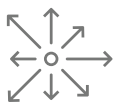
### Tailored, pragmatic, joined-up approach



In these challenging times, Mazars is committed to support you navigating the regulatory challenges. As a service provider, our work is practical, and our conclusions and action plans will be pragmatic and fine-tuned to our clients’ needs. We will tailor our approach to ensure our work meets each and every client's specific requirements.



### Personal and personable approach



We strongly believe that this sets us apart from the competition. Our commitment is to invest time and effort in truly understanding the unique environment of each entity we engage with. We approach every interaction with a willingness to listen, to empathize, and to adapt.

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